

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2008

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

CERF Savings Plan Information

Great-West Retirement Services
100 N. Tucker, Suite 100
St. Louis, MO 63101

Toll-Free: (877) 895-1394
Facsimile: (314) 241-2181
Website: www.gwrs.com*
E-mail: james.ellison@gwrs.com
KeyTalk® Info Line: (800) 701-8255*

*User Name and Personal Identification Number required.

COUNTY EMPLOYEES' RETIREMENT FUND 2008 Board of Trustees

Conny Dover – *Board Member*

Rosemary Gannaway – *Secretary*

Ken Dillon – *Board Member*

Sherry Shamel – *Board Member*

Peggy Kubicek – *Board Member*

Elaine Luck – *Vice-Chair*

Kay Murray – *Board Member*

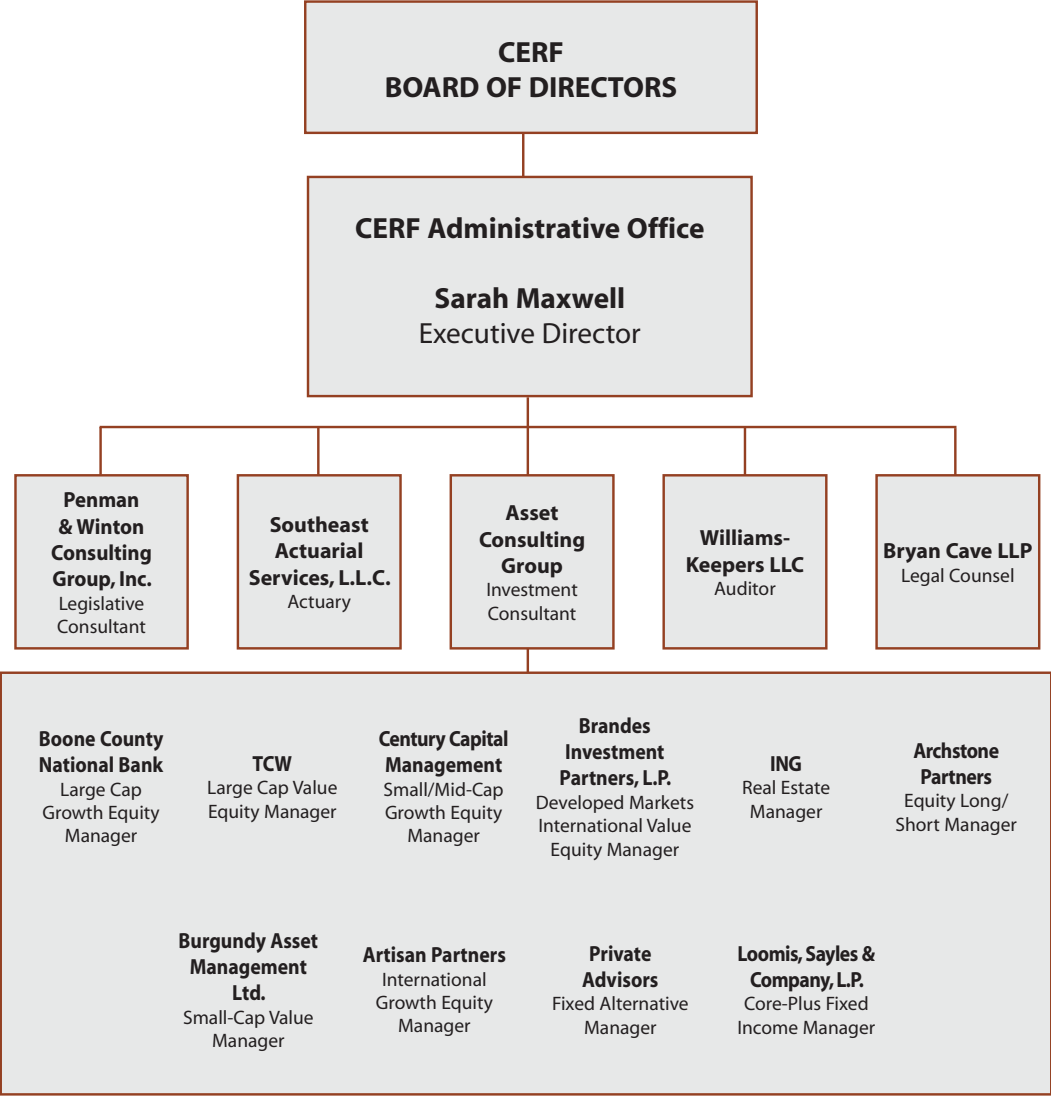
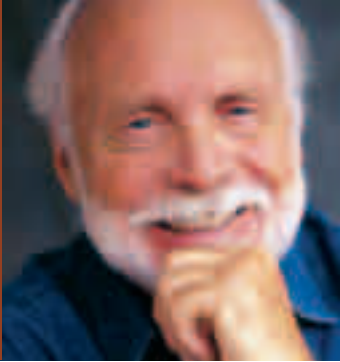
John Prince – *Board Member*

Jerry Reynolds – *Board Member*

Wayne Scharnhorst – *Chair*

Frank Sifford – *Board Member*

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri’s Open Records Law. To request any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees’ Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees’ Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.

CERF Pension Plan

Eligibility	Full-time employees (scheduled to work 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.
Participation	Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time employees begin participating once they become eligible.
Contributions	House Bill 1455 required all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county contributions in the form of fees and penalties.
Vesting	A participant is vested after eight creditable years of service.
Prior Service	Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.
Early Retirement	Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.
Cost-of-Living Adjustment	The Board may authorize a COLA each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. Cost-of-Living Adjustments will become effective on July 1 of each year.
Survivor Benefits	<p>ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. In addition, if the participant's death should occur after eight years of service, the surviving spouse is eligible to apply for a 50% spousal benefit.</p> <p>VESTED TERMINATIONS: If a participant is vested but terminates employment prior to becoming eligible to draw a benefit, and then dies before his or her pension begins, his or her surviving spouse can apply for a 50% survivor benefit.</p> <p>SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.</p> <p>RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option designated on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.</p>

CERF Savings Plan

Eligibility

A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.

Automatic Contributions

Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.

Voluntary Contributions

In 2008, participants may contribute up to the lesser of \$15,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.

Matching Contributions

Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.

Vesting

Members are always 100% vested in their automatic and voluntary contributions to the plan and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire) or if they die during the plan year.

Investment Options

A broad range of investment options is available, including the option to pick individual funds or investing through a selected portfolio.

Making Changes

Participants may change the amount of their contributions on a quarterly basis and can stop deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either Keytalk at 800-701-8255 or through the website at www.gwrs.com. You will need to use your user ID and personal identification number (PIN) provided to you by Great West.

Payment Options

Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.

Rollovers and Plan Transfers

Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.

Need More Information

For more information on the CERF Savings Plan, please see the contact information on the Administration page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

2008 Year in Review

There was nowhere to run and nowhere to hide in 2008. Virtually every major market sector fell dramatically, as investors hastily shed perceived risky assets in favor of the relative safety of government bonds. The financial markets initially withstood the continued decline in the housing market and subprime mortgage-related write-down relatively well for the first five months of the year, even overcoming the first of what would prove to be several collapses of major U.S. financial institutions. Following JP Morgan's buyout of troubled Bear Stearns in March, the S&P 500 actually rallied more than 10% through the end of May.

Over the course of the next three months, however, global markets slumped as record energy costs magnified fears of a worldwide economic slowdown. The Dow Jones Industrial Average posted its worst return in June since the Great Depression, and almost all global stock markets posted negative returns for the second quarter.

September 15th marked the turning point within the financial markets, as Lehman Brothers announced its bankruptcy and the three remaining U.S. investment banks were subsequently forced to sell themselves or become depository institutions. Fears that the financial crisis could spill over into the broad economy led to a \$700 billion government bailout of financial institutions. From that point forward, the flight to quality further intensified as liquidity became scarce, banks tightened lending standards and credit spreads to U.S. Treasuries soared. By December, U.S. manufacturing contracted at the fastest rate in more than 25 years and the domestic automakers industry, unsure of their own viability, had also pleaded to the government for assistance.

Surprisingly, equities around the world staged a late rally in December amid coordinated efforts by central bankers to minimize the damage to the global economy. The S&P 500 index rallied more than 20% in the last six weeks of the year, but the damage had already been done and the index posted its worst annual decline in more than 90 years. The MSCI World index declined 40.3% during the year while the MSCI Emerging Markets index lost more than half of its value. High quality fixed income, particularly Treasury securities, proved to be the lone safe haven for investors. The broad-based Barclays Capital Aggregate index posted a modest 5.2% gain for the year while the Barclays U.S. Treasury index rallied with a strong 13.7% return.

CERF Retirement Plan Overview

The County Employees' Retirement Fund (CERF) retirement plan assets are invested and monitored in accordance with the plan's investment policy, which articulates the plan's goals, objectives, and risk parameters.

CERF Investment Portfolio Guidelines and Objectives

CERF's overall investment objective is to maximize return within prudent risk parameters over a long-term time horizon. All investment-related decisions are made in the best interest and for the benefit of the pension plan's participants. The primary tool that the Board of Directors uses to manage risk is diversification, or spreading investments across a variety of investment types.

CERF has three broad long-term investment objectives: (1) to achieve a return of 1% over the actuarial assumption rate (currently 8%) in order to provide ongoing support to beneficiaries, (2) to grow the portfolio assets at 5% over the inflation rate to preserve the portfolio's purchasing power over time, and (3) to outperform a blended passive index (blended benchmark) which mirrors the portfolio's asset allocation mix to evaluate the success of the portfolio's investment strategy.

Total Portfolio Performance

The following chart summarizes the pension plan's results compared to the objectives defined by the investment policy:

Total Pension Fund Performance vs. Objectives

For Period Ending December 31, 2008*

	Benchmark	CERF	Objective Met?
♦ At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis.**	9.00%	7.77%	NO
♦ The Pension Fund's annualized total return should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.47%	7.77%	YES
♦ The Pension Fund's total return should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Bond Index	7.15%	7.77%	YES
♦ The Pension Fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Index	10.05	9.86	YES

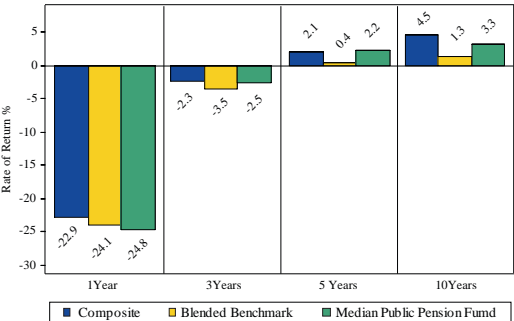
*All returns shown are since inception (December 31, 1994).

**The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The chart below shows CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2008.

Total Pension Fund Performance vs. Benchmarks

For the Periods Ending December 31, 2008



CERF's investment portfolio was negatively affected by the market environment in 2008, and this impacted the longer-term results. It outpaced its benchmark and the median public pension fund, however, falling into the top third of all public pension funds for the year. Over the ten year period ending December 31, 2008, CERF's investment performance ranks in the top 10% when compared to other public pension funds. In other words, CERF has outperformed 90% of the public pension funds in the peer group over the past ten years.

Total Portfolio Asset Allocation

CERF's asset allocation mix is continually monitored and reviewed to ensure that it is appropriate given the investment

Investments

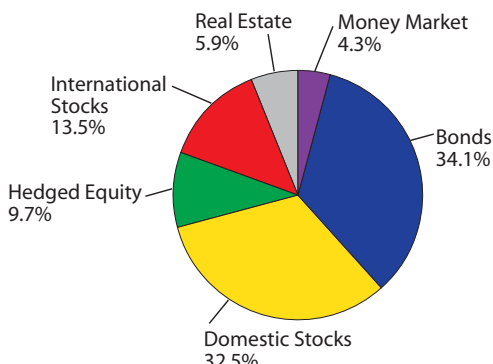
objectives and guidelines, the current size of the portfolio, and the fund's liability stream and risk tolerances.

Diversification is key to the success of any long-term investment program, and CERF's investment portfolio has been developed to be well-diversified with exposure to different investment asset classes.

The portfolio's current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate). The chart below depicts the pension plan's asset allocation as of December 31, 2008:

Total Pension Fund Asset Allocation

As of December 31, 2008



Total Pension Fund Asset: \$205,070,685

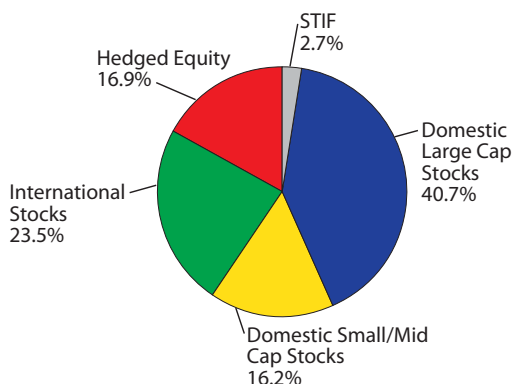
Equity Portfolio Guidelines and Objectives

CERF's equity portfolio is diversified by asset class (domestic stocks, international stocks, hedged equity funds, and private equity), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks), and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

The chart below displays the equity asset allocation for the CERF pension plan as of December 31, 2008:

Equity Allocation

As of December 31, 2008



Total Equity Asset: \$117,352,180

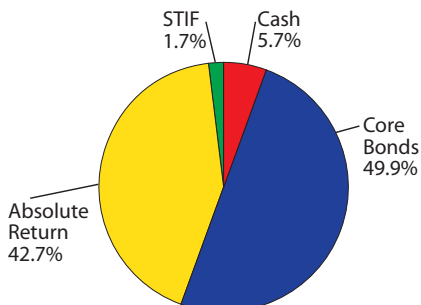
Fixed Income Portfolio Guidelines and Objectives

Bond or fixed income investments are included in the portfolio to enhance diversification. Generally, fixed income investments tend to be less sensitive to movements in the stock market than equity investments. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Like CERF's equity

managers, the fixed income managers are also expected to exceed specific hurdles within well-defined risk parameters.

Fixed Income Allocation

As of December 31, 2008



Total Fixed Income Asset: \$75,535,418

Real Assets Portfolio Guidelines and Objectives

The real assets portfolio is intended to provide diversification beyond the stock and bond markets. As the CERF retirement plan assets have grown, the portfolio's allocation has been broadened to include real assets; specifically real estate. The current exposure to real estate within the pension fund is through a diversified real estate fund, the value of which is \$12,183,087.

Diversification extends beyond the asset allocation decision and is an important element in the implementation and manager selection process. Each manager is expected to invest in a well-diversified portfolio of high quality securities. The managers are also given specific performance hurdles, which they are expected to exceed over reasonable periods of time and within appropriate risk parameters. Each investment manager who is employed by CERF is given a specific assignment along with detailed guidelines and constraints within which they are expected to manage their portion of the portfolio.

Ongoing Monitoring

The investment consultant assists the Board in creating and updating investment policy, developing, monitoring and updating the asset allocation strategy, assessing overall portfolio and individual manager risk, monitoring and evaluating the fund's investment managers, and making recommendations regarding changes or adjustments to the portfolio where appropriate.

The investment managers also provide monthly updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board on a periodic basis.

CERF's Board and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed to ensure that the monitoring and oversight process for CERF's investment portfolio is ongoing.

While 2008 was a most challenging year in the financial markets, the CERF investment program is designed to be long-term in nature, and the Board's focus is on achieving the stated investment objectives in a prudent manner over a long-term time horizon.

Actuarial

PLAN MEMBERSHIP

AS OF JULY 1, 2008

Covered Payroll	\$335,961,755
Average Pay per Active Member	\$30,440

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$93,066,879
Amortization of UAAL, with interest to mid-year*	\$7,729,824
Normal Cost, with interest to mid-year	\$15,045,798
Reduction in Normal Cost for member contributions	\$6,764,214
Annual Required Contribution as a percent of payroll	\$16,011,408 4.77%

PLAN ASSETS

Market / Actuarial Value	\$246,826,001
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FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$302,410,906
Funded Ratios	
Accumulated Benefit Basis	90%
Actuarial Accrued Liability Basis	74%

* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

Financial Statements

STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2008

ASSETS

Cash	\$ 1,633,996
Receivables:	
Member contributions	443,823
Member prior service contributions	168,731
County contributions	2,567,292
Receivable for pending investment sales	624,278
Accrued interest and dividends	<u>153,305</u>
Total receivables	3,957,429
Investments at fair value	201,036,587
Invested securities lending collateral	30,697,835
Other Assets	8,066
Capital assets, net of accumulated depreciation of \$1,813,139	<u>3,880,414</u>
Total assets	<u>241,214,327</u>

LIABILITIES

Accounts payable	274,336
Accrued defined contribution plan contribution	1,946,293
Other accrued expenses	63,231
Deferred revenue	184,966
Payable for pending investment purchases	1,085,031
Collateral for securities on loan	<u>32,814,354</u>
Total liabilities	<u>36,368,211</u>
Net assets held in trust for pension benefits	<u>\$ 204,846,116</u>

The notes to financial statements are an integral part of these statements and are available on our website, or by contacting the CERF Administrative Office.

Retirement Fund

Financial Statements



STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2008

ADDITIONS:

Contributions:

County receipts	\$20,053,257
By members	7,717,143
For members, paid by counties	739,270
Members, purchase of prior service	122,026
Total contributions	<u>\$28,631,696</u>

Investment Income:

Net appreciation (depreciation) in fair value of investments	(64,546,358)
Interest	3,029,095
Dividends	3,140,864
Total investment income (loss)	<u>(58,376,399)</u>
Less investment expenses	<u>1,293,719</u>

Net investment income (loss)	<u>(59,670,118)</u>
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Securities lending income	1,462,304
Less expenses	1,360,160
Net (decrease) in fair value of collateral investments	<u>(2,116,519)</u>
Net securities lending income (loss)	<u>(2,014,375)</u>

Total additions (deductions)	<u>(33,052,797)</u>
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DEDUCTIONS:

Benefits	13,179,658
Refunds of member contributions	2,228,126
Defined contribution plan matching contribution	1,946,293
Administrative expense	<u>1,984,566</u>
Total deductions	<u>19,338,643</u>

Net increase (decrease)	(52,391,440)
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Net assets held in trust for pension benefits

Beginning of year	<u>257,237,556</u>
End of year	<u>\$204,846,116</u>

The notes to financial statements are an integral part of these statements and are available on our website, or by contacting the CERF Administrative Office.

CERF Demographics

(Data as of December 31, 2008)

Active Participants	11,182
Retired Members and Beneficiaries	2,619
Terminated Vested Participants	1,567
Sum of Death Benefits (since inception)	\$ 3,249,948
Sum of Remaining Buy Back Balances	\$ 168,731
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 85,237,258
Average Gross Monthly Benefit	\$420.50

Summary of County Contributions for 2008

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$5,223,429	\$1,227,843	\$7,899,860	\$110,298	\$7,695,958	\$739,270	\$5,590,389

County Employees' Retirement Fund
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Presort Standard
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